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STATE FOR JOELLEN URBAN
STATE PASS TO USTR FOR DAVID WEINER

SIPDIS

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SUBJECT: 'SPOTIFY FOR MOVIES' PARTNERS WITH BREDBANDSBOLAGET

11. Summary: Voddler, also known as 'the Spotify of Movies,' was launched Tuesday Oct. 27. The service which offers access to movies online using streaming instead of downloads is expected to be a great success. End summary.

12. Voddler and Bredbandsbolaget, the second largest broadband provider in Sweden, joined forces Oct. 27 when they announced that they would offer Voddler services for free to Bredbandsbolaget's customers.

13. A test version of the service was made available during the summer and had 30,000 users. The CEO of Voddler, Marcus Backlund expects half of Bredbandsbolaget's customers to use the service. That would make 250,000 users. He adds that an additional 250,000 users are currently waiting in line in Voddler's own queue. The service is presently offered exclusively to Bredbandsbolaget's customers, but queuing users will be invited to the free service over the coming months.

14. The announcement comes as Nordic contracts have now been drawn up with the movie giants Paramount (who in turn has contracts with Dreamworks) and Disney (who owns Touchstone Pictures and Miramax). Voddler officials say they are close to an agreement with Sony Pictures and believe that all major movie studios will be on board by the end of the year.

15. Voddler's plan is to offer a great number of movies, TV-shows and music for free over the internet. To avoid property rights problems the movies are not downloaded but streamed across the internet. Voddler derives its revenue from advertisements, which are added to the beginning of the movies. Costs are kept low by using the customers' computers in the distribution network. This makes Voddler a controlled and legal provider of the peer-to-peer technology that is used by file-sharing sights such as the illegal file-sharing site The Pirate Bay. The measures reduce costs by 95 percent. Every single stream is profitable, Backlund told reporters. He even believes that the corporation will have a positive net result by this summer.

16. The business model is similar to the Swedish music service Spotify. So far there are not many movies available however, barely 1000 movies, which is fewer than the competition (SF Anytime and Film2Home). Moreover most of the "new" movies have already been released on DVD. The goal is that Voddler will be available across the Nordic Countries by this summer, followed by the UK. While the service area grows, the supply is intended to grow. "Our goal is to become a global Swedish corporation. We will do everything we can to reach that goal," Backlund said.

17. In a meeting with Bredbandsbolaget on Tuesday Oct. 27, Embassy officials were informed that the partnership is part of Bredbandsbolaget's wider plans and efforts to partner up with entertainment providers to offer additional services to their customers. In what they perceive as a difficult market to compete in (due to the incumbent Telia Sonera's control over the dark fiber over which broadband is delivered), Bredbandsbolaget is now gearing its efforts towards providing additional and exclusive entertainment features.

¶8. Comment: The Voddler service will offer a legal alternative to illegal sites such as The Pirate Bay and might well diminish demand for similar illegal sites. The Spotify service, which offers access to streamed music for free with advertisements or for a fee without, has been a huge success in Sweden. End comment.

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